



## **INTERNAL AUDIT DIVISION**

### **AUDIT REPORT 2013/010**

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#### **Audit of global stock management at UNHCR**

**Overall results relating to the effectiveness of global stock management were initially assessed as partially satisfactory. Implementation of eight important recommendations remains in progress.**

**FINAL OVERALL RATING: PARTIALLY  
SATISFACTORY**

**19 February 2013**

**Assignment No. AR2012/167/02**

## CONTENTS

	<i>Page</i>
I. BACKGROUND	1
II. OBJECTIVE AND SCOPE	1
III. AUDIT RESULTS	2-9
A. Project management	2-9
IV. ACKNOWLEDGEMENT	9
ANNEX I      Status of audit recommendations	
APPENDIX 1   Management response	

# AUDIT REPORT

## Audit of global stock management at UNHCR

### I. BACKGROUND

1. The Office of Internal Oversight Services (OIOS) conducted an audit of global stock management (GSM) at the United Nations High Commissioner for Refugees (UNHCR).

2. In accordance with its mandate, OIOS provides assurance and advice on the adequacy and effectiveness of the United Nations internal control system, the primary objectives of which are to ensure (a) efficient and effective operations; (b) accurate financial and operational reporting; (c) safeguarding of assets; and (d) compliance with mandates, regulations and rules.

3. The Supply Management Service (SMS), under the Division of Emergency, Security and Supply (DESS), is the focal point for planning and coordination of supply matters in UNHCR. It is responsible for implementing global stock management (GSM) in UNHCR and is organized in three sections:

- Supply Operations Support Section (SOSS), which is responsible for end-to-end delivery and GSM, overall supply chain planning, supply emergency management, logistics coordination and programme liaison and procurement of basic relief (non-food) items;
- Supply Infrastructure Support Section (SISS), which is responsible for procurement of goods and services, market research, forecasting, management of frame agreements and product quality control. It has established international frame agreements with a number of manufacturers around the world to secure an effective supply of core relief items and with global freight forwarders for clearing, forwarding and other related services to address its logistics needs; and
- Business Support Section (BSS), which is responsible for business process development, management of systems and reporting tools, policy development and capacity building.

4. The objective of the GSM system is to put in place an orderly and predictable distribution of core relief items (CRI) in all UNHCR operations in coordination with the field offices. As part of the GSM system, central stockpiles are maintained to better meet emergency requirements and to reduce the delivery response time. SOSS controls the central emergency stockpiles spread across seven strategic locations; the total value of inventory physically held at these locations was \$36 million as of May 2012. As of September 2012, SMS had 116 posts in Budapest and in different field operations, of which 13 were vacant.

5. Comments provided by UNHCR are incorporated in *italics*.

### II. OBJECTIVE AND SCOPE

6. The audit of global stock management at the UNHCR was conducted to assess the adequacy and effectiveness of the UNHCR governance, risk management and control processes in providing reasonable assurance regarding **effectiveness of global stock management**.

7. The audit was included in the 2012 OIOS risk-based work plan in consultation with the DESS, as the management of UNHCR core relief inventories valued at around \$100 million had not been audited since 2003.

8. The key control tested for the audit was project management. For the purpose of this audit, OIOS defined this key control as providing reasonable assurance on the adequacy and effectiveness of controls to manage global stocks.

9. The key control was assessed for the control objectives shown in Table 1.

10. OIOS conducted this audit from April to July 2012. The audit covered the period from 1 March 2010 to 31 May 2012.

11. OIOS conducted an activity-level risk assessment to identify and assess specific risk exposures, and to confirm the relevance of the selected key controls in mitigating associated risks. Through interviews, analytical reviews and tests of controls, OIOS assessed the existence and adequacy of internal controls and conducted necessary tests to determine their effectiveness.

### III. AUDIT RESULTS

12. The UNHCR governance, risk management and control processes examined were assessed as **partially satisfactory** in providing reasonable assurance regarding **effectiveness of global stock management**. OIOS made eight recommendations to address issues identified in the audit. SMS had effectively put in place a strategy to implement GSM, including moving under its control the seven stockpiles. UNHCR had also clarified SMS responsibilities for centralized inventory management. However, the stock balances at storage locations and excess stocks of \$19.1 million needed to be reviewed. Also, monitoring of the freight forwarders' compliance with contract terms and assessment of their performance needed to be strengthened. Control weaknesses were also identified in the management of central emergency stockpiles. There was no mechanism to effectively periodically review and approve changes to the stock levels that should be maintained to respond to various emergencies. In addition, there was a need to review the treatment of CRI catalogue items in light of the introduction of a quality assurance unit. SMS had taken action to address the weaknesses identified with respect to warehousing and was actively pursuing with the United Arab Emirates Government to enter into a legal agreement to formalize the establishment of its Dubai Office. SMS also took action to reduce the significant build-up of in-transit inventories by putting in place monthly reviews of in-transit inventory and inventory receipts in the system; however, it had yet to address the limitations in the reporting tool for supply chain performance, reduce the significant build-up of in-transit inventories and ensure all UNHCR stocks worldwide are insured.

13. The initial overall rating was based on the assessment of key control presented in Table 1 below. The final overall rating is **partially satisfactory** as implementation of eight important recommendations remains in progress.

Table 1: Assessment of key control

Business objective	Key control	Control objectives			
		Efficient and effective operations	Accurate financial and operational reporting	Safeguarding of assets	Compliance with mandates, regulations

					<b>and rules</b>
<b>Effectiveness of global stock management</b>	Project management	Partially Satisfactory	Partially Satisfactory	Partially Satisfactory	Partially satisfactory
<b>FINAL OVERALL RATING: PARTIALLY SATISFACTORY</b>					

## **A. Project management**

Action was taken to strengthen SMS' ability to centrally manage core relief items (CRI)

14. Part of the restructuring of the supply chain initiated by UNHCR in 2009 involved centralizing the management of CRI, valued at around \$100 million in 2011. SMS was given the responsibility and included this as a goal in its 2011 strategic plan to be achieved by the end of 2011. SMS intended to implement this goal by centralizing inventory management for all regional and local CRI stocks that were under the control of Representations, and putting in place a comprehensive planning function for all stock items for each country. At the time of the audit, SMS managed seven central emergency stockpile locations, which represented only 36 per cent of the value of all UNHCR CRI stocks physically held. The implementation of a centralized stock management by the end of 2011, including a comprehensive planning function, had not been achieved because:

- SMS lacked dedicated resources, which was recognized by SMS, and action was taken during 2011 to recruit a dedicated staff at the P-4 level who came on board 1 October 2012 and who is responsible for putting in place a comprehensive planning function; and
- While responsibility for achieving the goal had been given to SMS, responsibility for the inventory in the local warehouses had not been transferred from the Representations to SMS. Toward this end, DESS and Division of Financial and Administrative Management (DFAM) jointly issued an inventory management policy on 12 November 2012 (Inter Office Memorandum 99/2012-Field Office Memorandum 100/2012) clarifying the centralized inventory management responsibilities, which was transferred to SMS effective on the date of the circular.

Need to establish a mechanism to periodically review and approve the level of stockholdings

15. As SMS did not control all the warehouses, prior to 12 November 2012, but had a responsibility for ensuring that there was sufficient CRI stocks available to meet the needs of field offices, it bought additional CRIs when money was available. OIOS reviewed the overall level of stockpiles to which SMS had access to and compared it with the level needed to respond to the mandated level of 600,000 beneficiaries. This analysis showed that SMS had built up excess stocks worth \$19.2 million as at May 2012.

16. In order to be able to respond quickly to emergencies, UNHCR maintained emergency stockpiles of non-food items such as tents, kitchen sets and blankets. In 2006, it decided to maintain a response capacity to support the needs of 250,000 beneficiaries in an emergency, which was formally stated in its supply Manual. SMS was given the responsibility to manage centrally these stockpiles called Central Emergency Stockpile (CES). Review of the CES level held by SMS indicated that in 2011, it continued to build up its stockpiles to maintain a response level for 600,000 beneficiaries (for tents, the level was 300,000 beneficiaries) due to a growing number of emergencies. In 2012, SMS decided to further supplement this level by 100,000 additional beneficiaries (50,000 for tents) to act as a safety cushion against delivery related issues, which increased the level of CES by approximately \$6.7 million. The

estimation of stock levels needed to support the level of beneficiaries is a simple calculation based on the non-food items needed by standard family size of five. The current mechanism did not take into account other factors such as the maintenance of stockpiles by suppliers at their warehouses under the frame agreements with UNHCR.

17. As the number of emergencies UNHCR had to respond to had increased, the size of the stockpile had also increased. This had been done on an informal basis without review of the cost-effectiveness of the current mechanism. Any unwarranted increase in the CES level had implications on budget, stock holding costs and warehouse management. There was no mechanism in place at the time of the audit to require a review and formal approval of changes in the level of the emergency stockpiles. Such a mechanism was needed to ensure that the stockpiles meet UNHCR's needs in the most economical manner.

**(1) UNHCR should review stock balances at its storage locations and consolidate stockholdings.**

*UNHCR accepted recommendation 1 and stated SMS has developed a midterm strategic plan ("SC 2015"), to implement a new inventory management approach. One key element in the Plan is the concept of Supply Chain Planning, the intend of which is to instill a practice of better linking the needs for Core Relief Items in each operation with the real stocks in place. This will result in a replenishment model which takes into consideration the most efficient and effective way of replenishing the necessary stock in that operation. In addition, a new Planning SOP (Standard Operating Procedure) will be developed as a clear and simple tool to guide the operations to; a) assess the CRI needs for the next period (a year, or a semester), b) establish safety stock levels, a designated minimum level, in each warehouse worldwide, following a simple algorithm which considers constraints like rainy season, conflicts or weak transport infrastructure, etc., and, c) establish a replenishment model for each warehouse in coordination and agreement with SMS. Recommendation 1 remains open pending the issuance of the Planning Standard Operating Procedure for stock management and receipt of documentation showing the results of the review of stock balances and the consolidation of stockholdings.*

**(2) UNHCR should establish a mechanism to periodically review, approve and document any changes to the level of emergency stockpiles needed to be maintained for its beneficiaries, taking into account the resulting financial and operational implications.**

*UNHCR accepted recommendation 2 and stated that it agreed to establish a more formal and better documented review and approval process to determine the level of emergency stockpiles, which will be undertaken at least semi-annually, and any changes deemed necessary will be submitted to the Director DESS for approval. Recommendation 2 remains open pending receipt of documentation showing the implementation of a documented and formal mechanism to review and approve levels of emergency stockpiles.*

Monitoring of freight forwarders' compliance with contract terms needed strengthening

18. Timely delivery of relief items to refugees is a critical success factor for UNHCR operations. Up to June 2011, UNHCR relied on a single freight forwarder to meet its global transportation needs. From July 2011, UNHCR concluded contracts with three more freight forwarders and allocated its transportation needs among them, thereby reducing its risk of being dependent on a single freight forwarder.

19. In 2011, UNHCR expended about \$60 million on freight forwarding services. Given the importance of the activity, UNHCR put in each of the four contracts 17 key performance indicators (KPIs). A system called Track and Trace Tool (TTT) was also developed for tracking shipments. However, UNHCR was not getting assurance that freight forwarders were delivering as per contract terms because they were only collecting data for three out of the 17 KPIs and no one was assigned for the day-to-day liaison and management of these contracts. In addition, TTT was not working because there was no coordination between Representations, UNHCR buyers and SMS to ensure that data needed for TTT was being collected.

20. OIOS reviewed purchase orders and supporting documentation of freight forwarders transactions to analyze the difference between the actual lead times against delivery standards stipulated in the contracts. This review identified, for the period January 2010 to June 2011, delays in deliveries for which, according to the liquidated damages clauses, UNHCR could have claimed more than \$45,000. This analysis also showed that, in 37 per cent of the freight forwarders transactions reviewed, verification and certification were made by SMS before satisfactory and timely completion of the services requested. In addition, SMS had not maintained complete documentation to demonstrate the cost-effectiveness of payments totaling \$687,000. Freight forwarders for emergency air charters were required to provide five price quotes per air charter to justify that the most cost-effective service provider had been hired, in accordance with contract terms. SMS had failed to request this information, which was important to demonstrate and monitor cost-effectiveness of payments. At the time of this report, the freight forwarders had provided the documentation and there was no evidence of fraudulent activity. Finally, OIOS conducted an overall review of the newly established freight forwarding contracts, starting July 2011, which showed that liquidated damages clauses were omitted from four freight forwarding contracts. This omission was a consequence of a revision by the Legal Affairs Section (LAS) in 2010 of general conditions applicable to all UNHCR contracts. As per LAS, these general conditions were not amended to include any specific liquidated damages clauses because the need for it was not clearly communicated by SMS. LAS, however, explained that, if requested by SMS contract managers, liquidated damages clauses could be included in specific contracts but will require an amendment to the current contracts and renegotiations with the freight forwarders.

**(3) UNHCR should strengthen the monitoring of freight forwarders' compliance with contractual terms, including by (a) assigning clear responsibilities for managing the freight forwarding contracts and collecting data for an effective review of performance indicators; (b) arranging with buyers and Representations to update the shipment tracking tool; (c) strengthening the existing verification procedures for freight forwarders invoices; and (d) requesting the Legal Affairs Section to include the liquidated damage clauses in current contracts and renegotiating with the freight forwarders.**

*UNHCR accepted recommendation 3 and stated that UNHCR has partially implemented OIOS' recommendations and (a) assigned a senior supply officer to manage freight forwarding contracts who is (b) enhancing and updating the shipment tracking tool and (c) has revised the procedures for the verification of freight invoices. In addition, he will (d) coordinate with Legal Affairs to review as to whether liquidated damage clauses should be renegotiated with the freight forwarders. Recommendation 3 remains open pending receipt of documentation showing measures taken to strengthen the monitoring of freight forwarders' compliance with contract terms and pending results of the liquidated damage clause renegotiation with freight forwarders.*

**(4) UNHCR should conduct an analysis of freight forwarders' past performance to identify any liquidated damages owed to UNHCR and submit claims for recovery as appropriate.**

*UNHCR accepted recommendation 4 and stated that UNHCR has established regular meetings with*

*its freight forwarders to review their performance on a regular basis. We will also review past performance and, if legally feasible, submit claims for recovery.* Recommendation 4 remains open pending receipt of documentation showing actions taken to identify and recover liquidated damages from freight forwarders.

#### Need to review treatment of CRI catalogue items in light of introduction of quality assurance unit

21. UNHCR maintains a catalogue of CRI items, which UNHCR buyers and Representations can use to improve acquisition of relief items having minimum quality standards. However, items may also be procured outside of the catalogue based on operational context justified by the Representations. The responsibility to maintain the CRI catalogue was assigned to SMS, who established a quality assurance unit in 2010, to ensure that CRI items in the catalogue met a minimum standard. As a result of their work, the specifications of items in the catalogue may change. While the change is reflected in the catalogue there are no mechanisms in place stating when the change should come into effect and old items should no longer be bought, and how the existing stock should be handled. Consequently, buyers can and did continue to buy old items. For example, buyers continued to procure \$5.6 million of fleece blankets in 2011 having outdated specifications. In addition, the value of old specification fleece blanket and light weight emergency tent stocks held by UNHCR were \$12.1 million with no clear action plan on what to do with them.

22. Moreover, buyers and Representations could and did buy items that were not in the CRI catalogue, which did not fall within the purview of the quality unit. For example, CRI items outside the catalogue such as ridge tents, all-weather tents, woven dry and woolen blankets were procured, valued at about \$12 million in 2011, without clarifying how the quality assurance mechanism would work for such exceptional purchases. This affected the UNHCR objective of improving acquisition of quality relief items for its beneficiaries.

**(5) UNHCR should review the treatment of core relief items catalogue to strengthen controls over the acquisition of quality relief items, including by: (a) putting in place a mechanism stating when the change in the specifications of items should come into effect and old items should no longer be bought, and how the existing stock should be handled; (b) clarifying how the quality assurance mechanism will work for purchases outside the standard catalogue; and (c) putting in place an action plan on what to do with the \$12.1 million existing stock balances with older specification.**

*UNHCR accepted recommendation 5 and stated that UNHCR is in the process of reviewing its procedures related to the CRI catalogue. This will include: a) Communication to the field in cases of changed or additional specifications; b) Guidance related to purchases outside the standard catalogue. As part of our new inventory management strategy, we are in the process of defining measures for the preferred distribution of inventory items with older specifications. Recommendation 5 remains open pending issuance of procedures related to CRI catalogue, receipt of documentation showing actions taken to strengthen controls over the acquisition of quality relief items and pending receipt of the documentation showing measures taken for distribution of inventory items with older specifications.*

#### **Warehousing arrangements**

##### Action was taken to strengthen warehousing arrangements

23. At the time of the audit, no contract manager was assigned to monitor the utilization of warehousing services and to ensure that the warehouse agreements were negotiated and extended on a

timely basis. Further, a methodology to conduct annual physical verification at UNICEF-managed warehouses and to carry out regular stock reconciliations between UNICEF and UNHCR stock reports was required. SMS took corrective action by assigning responsibilities for warehouse management to a Senior Supply Officer, who joined SMS on 1 August 2012. The contract with UNICEF, for warehousing services in Copenhagen expired on 31 December 2011 and was renewed on 25 October 2012. Further, the physical verification methodology at UNICEF's fully automated, new warehouse management facility was also agreed in October 2012 and regular reconciliations are now being carried out between UNICEF and UNHCR stock reports.

Action was taken to enter into legal agreement with Dubai Government to formalize the establishment of Dubai Office, which is a major hub for SMS supply operations

24. At the time of the audit, UNHCR did not have a memorandum of understanding (MOU) in place with the United Arab Emirates (UAE) Government covering its Dubai warehouse, which handled around 40 per cent of emergency stockpiles. As a result, SMS could not operate as UNHCR and had to operate the warehouse with the assistance of the World Food Program (WFP) and the United Nations Development Program (UNDP), who had agreements in place with UAE. In addition to the charge to UNHCR for the services provided, which was around \$32,000 in 2011, there was also the issue of operational effectiveness being potentially hampered by having to work through other UN bodies. At the time of this final report, the lease agreement has been signed with the UAE Government, thus, no recommendation is being raised.

An action plan was needed to address significant build-up of in-transit inventories

25. As of 31 March 2012, goods recorded as in-transit in the Managing for Systems, Resources and People (MSRP) enterprise resource planning software amounted to \$17.8 million. A review of MSRP aging reports on pending in-transit goods and inter-unit transfers was undertaken, which indicated that 10 per cent of these transactions were open for more than one year. Because no one was currently tasked to regularly review and monitor goods in transit reports no one could confirm and provide assurance that these goods in-transit for more than a year were still in-transit, were delivered to the final destination or were lost. At the time of this final report, SMS had put in place monthly reviews of in-transit inventory and took action with Representations for receipt or correction of these inventories in the system, leading to a reduction of in-transit inventory from \$17.8 million to \$2.8 million or 84 per cent..

**(6) UNHCR should monitor in-transit inventories and implement an action plan to review, analyze and correct them.**

*UNHCR accepted recommendation 6 and stated that it is generating a monthly status report on inventories in-transit and follows up all outstanding items with the freight forwarders and the field offices. Whenever necessary, corrective action is initiated. Based on the action taken by UNHCR, recommendation 6 has been closed.*

## **Administrative arrangements**

Need to address limitations in existing supply chain performance reporting tool

26. SMS developed its strategic plan, aligning its operational plans with UNHCR global strategic priorities (GSP) and defined key performance indicators (KPIs) for five critical areas to measure and report on its supply chain performance. SMS used a business intelligence and reporting tool, named Cognos to measure and report on its performance, but it did not provide for the measurement of supply chain performance at the Representation level. This situation limited the integration of supply chain into

the mainstream management of operations and SMS' ability to participate actively in planning, decision-making and execution of operations and to contribute towards achieving UNHCR GSP.

**(7) UNHCR should address the limitation in the existing supply chain performance reporting tool to enable the reporting of performance at the Representation level.**

*UNHCR accepted recommendation 7 and stated that UNHCR is in the process of developing a monthly reporting on key indicators for supply chain performance at the Representation level. Recommendation 7 remains open pending receipt of documentation showing the implementation of monthly reporting of supply chain performance at the Representation level.*

Need to review arrangements for insurance of stocks worldwide

27. To cover stocks against the risk of such things as floods, fire, damages or losses, UNHCR requires that stocks are appropriately insured. The failure to insure stocks was drawn to the attention of UNHCR in an audit of the Pakistan operations in 2010 (AR2010/141/01) where OIOS reported the loss of uninsured stocks worth \$2.9 million due to flooding. The situation in Pakistan has been resolved and, as an example, following a fire incident in a warehouse in Pakistan in July 2012, a claim of \$2.6 million for lost stocks has been made to the insurance company. While action was taken locally in Pakistan, no action has been taken to address the problem worldwide. SMS, who was given the central responsibility for managing stocks, did not have the responsibility for ensuring that worldwide stocks are insured. This responsibility was left to the Representations. In its review of insurance coverage of UNHCR warehouses, OIOS identified that stocks in 14 field locations were not insured, representing \$7.0 million or seven per cent of the value of UNHCR stocks as of March 2012 that were not covered by any insurance.

28. SMS arranged global cargo insurance because responsibility for central management of this insurance had been assigned to them, with appropriate funding. The cost of arranging insurance for the stocks was around \$700,000 or 0.70 per cent of the value of stocks. Because insurance of stocks was a local responsibility, UNHCR had not considered whether economies of scale may be gained by managing insurance centrally.

**(8) UNHCR should insure its worldwide stocks and review whether economies of scale may be gained by managing insurance centrally.**

*UNHCR accepted recommendation 8 and stated that UNHCR has negotiated a global insurance coverage with a global insurance company, which has been approved the Committee on Contracts. In addition, a central pool of funds has been requested to finance the insurance coverage. Recommendation 8 remains open pending receipt of documentation showing that worldwide stocks have been insured and economies of scale has been considered if insurance is managed centrally.*

Need to make changes to MSRP to ensure capitalization of property, plant and equipment (PPE)

29. UNHCR had adopted the International Public Sector Accounting Standards (IPSAS) from 1 January 2012. The Division of Information Systems and Telecommunications (DIST) in consultation with the Division of Financial and Administrative Management (DFAM) and SMS made various changes to MSRP to address IPSAS requirements relating to the capitalization of inventories and assets. For inventories, due to the linking of freight and inspection purchase order (POs) to the items' POs, the system was able to identify directly attributable costs along with the acquisition costs of inventories. However, for PPE, MSRP checked for potential PPE with reference to its PO value only and did not


consider directly attributable costs like freight, inspection or installation at the initial identification stage. As a result, during 2011, PPE valued at around \$1.47 million was not properly identified and capitalized as required by IPSAS

**(9) UNHCR should revise the Managing for Systems, Resources and People enterprise resource planning software to ensure that the capitalization of property, plant and equipment is in line with the International Public Sector Accounting Standards.**

*UNHCR accepted recommendation 9 and stated that they agree with OIOS that the valuation of PPE items should include all costs directly attributable to bringing the asset into operation. For those PPE that pass the threshold and recognition criteria, all costs directly attributable to bringing the asset into operation are capitalized. However, due to current system limitations, we are only able to check the purchase price and calculate all in costs for PPE fulfilling the threshold (USD 10,000). As part of the next MSRP upgrade, we will change the business requirements to enable checking "all-in" costs against the threshold. Recommendation 9 remains open pending receipt of documentation showing that MSRP system limitations has been managed to capitalize PPE in accordance with IPSAS.*

#### **IV. ACKNOWLEDGEMENT**

30. OIOS wishes to express its appreciation to the Management and staff of UNHCR for the assistance and cooperation extended to the auditors during this assignment.



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Mr. David Kanja,  
Assistant Secretary-General  
Office of Internal Oversight Services

**STATUS OF AUDIT RECOMMENDATIONS**  
**Audit of global stock management at UNHCR (Report No. 2013/010)**

Recom. no.	Recommendation	Critical <sup>1</sup> / Important <sup>2</sup>	C/O <sup>3</sup>	Actions needed to close recommendation	Implementation date <sup>4</sup>
1	UNHCR should review stock balances at its storage locations and consolidate stockholdings.	Important	O	Communication to OIOS of documentation showing the results of the review of stock balances and the consolidation of stockholdings.	31 Dec. 2013
2	UNHCR should establish a mechanism to periodically review, approve and document any changes to the level of emergency stockpiles needed to be maintained for its beneficiaries, taking into account the resulting financial and operational implications.	Important	O	Communication to OIOS of documentation showing the implementation of a documented and formal mechanism to review and approve levels of emergency stockpiles.	31 March 2013
3	UNHCR should strengthen the monitoring of freight forwarders' compliance with contractual terms, including by (a) assigning clear responsibilities for managing the freight forwarding contracts and collecting data for an effective review of performance indicators; (b) arranging with buyers and representations to update the shipment tracking tool; (c) strengthening the existing verification procedures for freight forwarders invoices; and (d) requesting the Legal Affairs Section to include the liquidated damage clauses in current contracts and renegotiating with the freight forwarders.	Important	O	Communication to OIOS of documentation showing measures taken to strengthen the monitoring of freight forwarders' compliance with contract terms and pending results of the liquidated damage clause renegotiation with freight forwarders.	30 June 2013
4	UNHCR should conduct an analysis of freight	Important	O	Communication to OIOS of documentation	30 June 2013

<sup>1</sup> Critical recommendations address significant and/or pervasive deficiencies or weaknesses in governance, risk management or internal control processes, such that reasonable assurance cannot be provided regarding the achievement of control and/or business objectives under review.

<sup>2</sup> Important recommendations address important deficiencies or weaknesses in governance, risk management or internal control processes, such that reasonable assurance may be at risk regarding the achievement of control and/or business objectives under review.

<sup>3</sup> C = closed, O = open

<sup>4</sup> Date provided by UNHCR in response to recommendations

<b>Recom. no.</b>	<b>Recommendation</b>	<b>Critical/ Important<sup>2</sup></b>	<b>C/ O<sup>3</sup></b>	<b>Actions needed to close recommendation</b>	<b>Implementation date<sup>4</sup></b>
	forwarders' past performance to identify any liquidated damages owed to UNHCR and submit claims for recovery as appropriate.			showing actions taken to identify and recover liquidated damages from freight forwarders.	
5	UNHCR should review the treatment of core relief items catalogue to strengthen controls over the acquisition of quality relief items, including by: (a) putting in place a mechanism stating when the change in the specifications of items should come into effect and old items should no longer be bought, and how the existing stock should be handled; (b) clarifying how the quality assurance mechanism will work for purchases outside the standard catalogue; and (c) putting in place an action plan on what to do with the \$12.1 million existing stock balances with older specification.	Important	O	Issuance of procedures related to CRI catalogue and communication to OIOS of documentation showing actions taken to strengthen controls over the acquisition of quality relief items and of the documentation showing measures taken for distribution of inventory items with older specifications.	30 June 2013
6	UNHCR should monitor in-transit inventories and implement an action plan to review, analyze and correct them.	Important	C	Actions were taken to close the recommendation.	Implemented (31 Dec. 2012)
7	UNHCR should address the limitation in the existing supply chain performance reporting tool to enable the reporting of performance at the Representation level.	Important	O	Communication to OIOS of documentation showing the implementation of monthly reporting of supply chain performance at the Representation level.	30 Sept. 2013
8	UNHCR should insure its worldwide stocks and review whether economies of scale may be gained by managing insurance centrally.	Important	O	Communication to OIOS of documentation showing that worldwide stocks have been insured and economies of scale have been considered if insurance is managed centrally.	30 June 2013
9	UNHCR should revise the Managing for Systems, Resources and People enterprise resource planning software to ensure that the capitalization of property, plant and equipment is in line with the International Public Sector Accounting Standards.	Important	O	Communication to OIOS of documentation showing that MSRP system limitations has been managed to capitalize PPE in accordance with IPSAS.	30 June 2014